

What are Replacement Housing Factor Fund Grants?

The Capital Fund formula rule at 24 CFR 905.10(i) provides that a PHA may receive RHF grants for public housing units demolished or sold for a period of up to five years. A PHA may only be given RHF funding for public housing units that have not already been funded for replacement public housing units under public housing development, Major Reconstruction of Obsolete Public Housing (MROP), HOPE VI, or any other programs that would otherwise provide replacement housing. A PHA must report the units as demolished in the PIC system before it can/will receive RHF funding.

What are the eligible uses of RHF funds?

A PHA may only develop or acquire public housing rental units with RHF funds. All replacement housing must be undertaken in accordance with public housing development regulations found at 24 CFR Part 941, which includes requirements pertaining to mixed-finance development.

How many years of RHF funding does a PHA receive?

A PHA receives five years of first increment RHF funding after it reports into PIC that units approved for demolition or disposition have been removed from the public housing inventory. If a PHA does not wish to receive RHF funding, it must reject the first increment RHF grant, in writing to the local field office, every year that it does not wish to accept the funds.

A PHA is eligible for another five years of second increment RHF funding, but the funding is not automatic. In order to receive an additional five years of RHF funding, the PHA must apply every time it is eligible for another “tier”. If the PHA does not apply for second increment funding or fails to meet the requirements for second increment RHF funding, then it becomes ineligible for the entire five years of second increment RHF funding associated with that tier.

What criteria must a PHA meet in order to receive second increment RHF funding?

As mentioned above, after a PHA receives RHF funding for five years, they may request funding for an additional five years. In order to be eligible for a second increment, a PHA must

- 1) submit a new or revised second increment RHF plan by the deadline established by HUD for any new tier of RHF units entering second increment
- 2) leverage substantial additional funding from sources other than public housing fund
- 3) have approval for all required PHA Plans
- 4) be in compliance with statutory obligation and expenditure deadlines
- 5) have made substantial progress on its first increment RHF Plan.

What amount of RHF funds does a PHA receive? How can RHF funding be estimated for planning purposes?

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Do obligation and expenditure deadlines apply to RHF grants? How are obligation and expenditure deadlines established in instances where a PHA wishes to accumulate its RHF funds and has described its development plans in an RHF plan?

Section 905.10(i)(7) provides that RHF funds must be obligated either within 24 months from the date that the funds become available; or **with specific HUD approval**, 24 months from the date the PHA accumulates adequate funds to undertake replacement housing.

Accumulation of Funds and Establishing the Obligation Start Date

A PHA may accumulate adequate funds to undertake replacement housing for up to five years. The submission of a development proposal is used to establish the obligation start date when grants are being accumulated.

When a PHA decided to accumulate funds, the latest date that the PHA can submit a development proposal for its **first five years of RHF funding (first increment)** is 90 days after execution of the RHF ACC by the HUD Field Office for the fifth year of RHF funding. A PHA may submit a development proposal earlier than that date, however, if it submits the development proposal after that time, the obligation start date will still be established as if the PHA had submitted the proposal by the latest possible permissible date.

[NEW] The latest date that a PHA can submit a development proposal for the **second five-year increment** of RHF funding, is 90 days after execution of the ACC by the HUD Field Office for the tenth year of RHF funding. Again, a PHA may submit a development proposal earlier than that date, however, if it submits the development proposal after that time, the obligation start date will still be established as if the PHA had submitted the proposal by the latest possible permissible date. **(This is a change from earlier RHF program practice and allows for a later obligation start date)**

So a PHA has two options:

First, a PHA may proceed with submitting a development proposal to HUD, obligating 90 percent of a single RHF grant within 24 months from the date the funds were made available and expending 100 percent of the RHF grant within 48 months from when the funds were made available. In this case, an RHF grant is similar to a typical Capital Fund Grant.

If, however, a PHA wants to accumulate its RHF grants for several fiscal years and delay the obligation start date, it must:

- (1) submit an RHF Plan, as described in the RHF Plan section below, and
- (2) submit a development proposal and proceed in accordance with their approved RHF Plan.

For the first increment, if a PHA fails to submit a RHF Plan the obligation start date of the RHF grant will automatically be 24 months from the date that the funds became available for each year of RHF funding. If the RHF Plan is submitted and approved as required, the obligation and expenditure start dates will be established 30 days from the date the PHA proposed to submit its development proposal to the local HUD Field Office. The obligation start date is the basis for establishing the statutory obligation and expenditure deadlines. Failure to submit a RHF plan for second increment makes the units ineligible for second increment.

For PHAs only developing the first 5-year increment, all funds must be obligated within 2 years and expended within 4 years from the start date established in their HUD approved RHF Plan. If the PHA fails to meet the 2-year obligation deadline for the development funded from the first 5-year increment, the PHA will receive no further RHF funding for the second increment, and any grants provided for the second increment will be recaptured.

For PHAs requesting a second increment of RHF funding, the previous requirement that as a condition for receiving grants in years 6-10, notwithstanding any other requirement of this Notice, that all funding (increments one and two) be fully expended by the end of the 10th year of funding NO LONGER IS APPLICABLE. Like first increment RHF grants, second increment RHF grants must be expended within forty-eight months after the obligation start date.

What must be included in an RHF Plan?

An RHF Plan provides a description of the steps that a PHA will carry out to provide replacement housing. A PHA must submit a separate RHF Plan for the first and the second increment of funding. RHF Plans must contain the following information:

- 1) **Brief Description.**

In some instances a PHA will propose developing more than one new project with its first or second increment funds. As a result, the RHF Plan should contain a description and schedule for each new proposed project. Also note that descriptions of the PHA's proposals to use RHF funds should be contained in the PHA Plan. At a minimum the description shall include:

- a. The total units to be developed,
- b. The development method (e.g., new construction, acquisition with or without rehabilitation), and
- c. Structure type (single family, row, walk-up, etc.).

2) **Schedule**. A schedule of major development milestones including but not limited to:

- PHA hires architect;
- Plans and specifications completed;
- Submission of development proposal to the HUD Field Office;
- Submission of site acquisition proposal to the HUD Field Office;
- Construction start;
- Date of Full Availability (DOFA); and
- End of Initial Operating Period (EIOP).

To reiterate, the latest date that a PHA can submit a development proposal for a PHA's first 5 years of RHF funding is 90 days after execution of the ACC by the HUD Field Office, the 5th year. The latest date that a PHA can submit a development proposal, for the second 5-year increment of RHF funding, is 90 days after execution of the ACC by the HUD Field Office for the 10th year.

Where a PHA is receiving RHF funds because of the demolition or disposition of more than one project, the RHF Plans (both first and second increments) must cover all the RHF grants for all of the projects. A PHA may be able to develop more than one development with the accumulation of funds from an increment. In some instances a PHA may want to combine the RHF funds from one or two projects to fund one new development and use the remainder of the RHF funds from other projects to fund a second new development. The PHA will need a schedule in the RHF Plan that includes the milestones described in the preceding paragraph for each new project being developed.